

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CG-00 DOTE-00 COME-00 L-03 PM-04

CIAE-00 INR-07 NSAE-00 SS-15 SP-02 NSC-05 STR-04

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 4231

INFO SECDEF WASHDC

USMISSION NATO BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

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DEPARTMENT PASS: DEPARTMENT OF TRANSPORTATION FOR
COAST GUARD

E. O. 11652: N/A

TAGS: EAIR, MASS, MILI, GW

SUBJECT: FRG ECONOMICS MINISTRY COMPLAINS ABOUT COAST
GUARD AIRCRAFT PROCUREMENT POLICY

BEGIN SUMMARY: AMBASSADOR HILLENBRAND HAS RECEIVED A
LETTER FROM DR. ROHWEDDER OF THE FEDERAL MINISTRY OF
ECONOMICS IN WHICH THE STATE SECRETARY COMPLAINS ABOUT
AN ALLEGED UNFAIR COAST GUARD PROCUREMENT PRACTICE.
THE CONTRACT AT ISSUE IS ONE FOR 41 SEARCH AND RESCUE
AIRCRAFT. VFW-FOKKER PARTICIPATED IN THE BIDDING WITH
WITH ITS VFW 614 AIRCRAFT. THE LETTER ASSERTS THAT THE
VFW 614 WAS IN A GOOD POSITION TO WIN THE CONTRACT
UNTIL CERTAIN UNSPECIFIED US PRESSURES LED TO
SUGGESTIONS THAT THE BIDDING BE REOPENED. DR.
ROHWEDDER RELATES THIS US COAST GUARD CONTRACT TO THE
GERMAN FEDERAL MINISTRY OF DEFENSE'S \$350 MILLION
CONTRACT FOR A MARITIME PATROL AIRCRAFT, A CONTRACT
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FOR WHICH LOCKHEED'S S3A IS A STRONG CONTENDER. NOT

ONLY IS THIS THE FIRST TIME THE FRG HAS ATTEMPTED TO MAKE SUCH A LINKAGE, IT IS ALSO THE FIRST TIME THAT THE FRG HAS OFFICIALLY RAISED THE COAST GUARD CONTRACT WITH THE EMBASSY. END SUMMARY

1. AN EMBASSY TRANSLATION OF DR. ROHWEDDER'S LETTER FOLLOWS. BEGIN TRANSLATION:

DEAR MR. AMBASSADOR:

AS YOU ARE AWARE, THE US COAST GUARD, WHICH IS UNDER THE DEPARTMENT OF TRANSPORTATION, HAS INVITED BIDS FOR THE PROCUREMENT OF 41 CIVILIAN SEARCH AND RESCUE AIRCRAFT. THE GERMAN-DUTCH FIRM VFW-FOKKER PARTICIPATED IN THIS BIDDING WITH ITS AIRCRAFT VFW 614.

THUS FAR NEGOTIATIONS BETWEEN THAT FIRM AND THE COAST GUARD HAVE BEEN VERY POSITIVE SINCE THE VFW 614 LARGELY MEETS THE REQUIREMENTS OF THE COAST GUARD. ACCORDINGLY, THERE HAVE BEEN HOPES THAT NEGOTIATIONS BETWEEN THE COAST GUARD AND VFW-FOKKER COULD BE FINALIZED IN THE NEAR FUTURE.

HOWEVER, THERE ARE OBVIOUS STRONG US TENDENCIES TO REOPEN BIDDING FOR THIS COAST GUARD PROCUREMENT PROJECT BY CHANGING THE SPECIFICATIONS IN ORDER TO PROVIDE OPPORTUNITIES FOR OTHER AIRCRAFT TO OBTAIN THE CONTRACT. VFW-FOKKER FEARS THAT THIS ACTION IS PINPOINTED AGAINST THE VFW 614.

THIS DEVELOPMENT HAS HAD AN ADVERSE EFFECT ON THE NEGOTIATIONS BETWEEN VFW-FOKKER AND THE COAST GUARD EVEN THOUGH THE LATTER REMAINS CONVINCED OF THE SUITABILITY OF THE VFW 614 FOR ITS REQUIREMENTS. I HAVE NO DETAILED INFORMATION CONCERNING THE BACKGROUND OF THE PROPOSAL TO RENEW INVITATIONS FOR BIDS. HOWEVER, IN THIS CONNECTION, I WOULD LIKE TO MAKE SOME REMARKS ABOUT THE PRINCIPLES INVOLVED:

THE EUROPEAN AEROSPACE INDUSTRY HAS INCREASED ITS EFFICIENCY DURING THE PAST FEW YEARS. IN SO DOING IT HAS IMPROVED ITS COMPETITIVE ABILITY COMPARED WITH LIMITED OFFICIAL USE

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THE AMERICAN AEROSPACE INDUSTRY. AMONG OTHER THINGS, THIS HAS BEEN ILLUSTRATED BY THE FAVORABLE POSITION OF THE VFW 614 TO OBTAIN THE COAST GUARD CONTRACT. COMPETITION IN THE INDUSTRY WILL CERTAINLY DEVELOP MORE AND MORE TOWARDS A 'TWO-WAY-STREET' ACROSS THE ATLANTIC, TO USE THE WORDS OF SECRETARY SCHLESINGER. THE PROCUREMENT OF LOCKHEED'S MARITIME PATROL AIRCRAFT, THE VIKING, WOULD ALSO HAVE TO BE SEEN UNDER THESE

ASPECTS. IF POSSIBLE, BOTH SIDES SHOULD NOT ATTEMPT TO
'CORRECT' THE COMPETITIVE RESULTS BY USING NON-
COMMERCIAL CRITERIA.

I WOULD, THEREFORE, VERY MUCH APPRECIATE YOUR INITIA-
TING APPROPRIATE STEPS TO SAFEGUARD EQUAL COMPETITIVE
OPPORTUNITIES FOR THE VFW 614. IN SO DOING, I BELIEVE

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I CAN ALSO SPEAK OF THE OTHER EUROPEAN COUNTRIES
PARTICIPATING IN THE VFW 614 PROGRAM, THE NETHERLANDS,
BELGIUM AND GREAT BRITAIN.

SINCERELY YOURS,

DR. ROHWEDDER END TEXT

2. COMMENT: WE SUSPECT ROHWEDDER'S INTEREST IN THIS
MATTER IS BASED ON SERIOUS FRG CONCERNS ABOUT THE
CONTINUED VIABILITY OF THE VFW-614 PROGRAM, ONE OF
GERMANY'S TWO MAJOR VENTURES INTO THE CIVIL AIRCRAFT

MARKET. THE BUNDESTAG IS SOMEWHAT RESTLESS BECAUSE IT HAS BEEN ASKED TO VOTE CREDIT AFTER CREDIT TO THE AEROSPACE INDUSTRY WITHOUT ANY CLEAR EVIDENCE THAT THIS SECTOR IS, OR EVER WILL BECOME, COMPETITIVE IN WORLD MARKETS. SELLING THE VFW 614 TO THE US COAST GUARD WOULD HELP THE FRG JUSTIFY CONTINUED GOVERNMENT INVESTMENT IN THIS LONG-TROUBLED PROGRAM. HENCE THE STRONG FRG EXPRESSION OF INTEREST IN THE COAST GUARD CONTRACT. HENCE, TOO, THE SOMEWHAT STRAINED RELATING OF THE LIMITED OFFICIAL USE

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FRG'S MAJOR (\$350 MILLION) CONTRACT FOR MILITARY SEA RECONNAISSANCE AIRCRAFT WITH THE LESS VALUABLE (\$164 MILLION) US COAST GUARD CONTRACT FOR CIVILIAN AIRCRAFT. IN SUM, THE VFW 614 SALE HAS CONSIDERABLE POLITICAL IMPORTANCE FROM THE FRG'S VIEWPOINT, QUITE APART FROM ITS OBVIOUS ECONOMIC ATTRACTIVENESS.

3. ACTION REQUESTED: PLEASE PROVIDE THE EMBASSY WITH INFORMATION ON THE STATUS OF THE COAST GUARD SEARCH AND RESCUE AIRCRAFT CONTRACT SO THAT IT CAN REPLY TO DR. ROHWEDDER'S INQUIRY.
HILLENBRAND

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